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PITKIN GAS UTILITY  
DISTRICT No.1

FINANCIAL STATEMENTS

December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/8/07

PITKIN GAS UTILITY DISTRICT No. 1  
December 31, 2006

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

PITKIN GAS UTILITY DISTRICT No. 1  
December 31, 2006

Management's Discussion and Analysis

My discussion and analysis of the PITKIN GAS UTILITY DISTRICT No. 1 (the District) financial performance provides an overview to the District's financial activities for the year ended December 31, 2006. Please read in conjunction with the District's basic financial statements which begin on page 9.

**Financial Highlights**

- \* The District's net assets decreased by \$34,489 or approximately 10.71% during the year ended December 31, 2006. There were no significant fluctuations in operating revenues or expenses for 2005.
- \* There was a decrease of \$ 28,708 in unrestricted net assets. Unrestricted net assets are those assets available to meet the day- to- day operating needs of the District.

**Using This Annual Report**

This annual report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the District's financial performance and activities for the year ended December 31, 2005. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- \* The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- \* The Statement of Activities presents information showing how the District's net assets changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- \* The Statement of Cash Flows presents information showing how the District's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

See Independent Auditor's Report

A summary of net assets is presented on the next page.

See Independent Auditor's Report

**PITKIN GAS UTILITY DISTRICT No. 1 2**

**December 31, 2006**

**Management's Discussion and Analysis**

Table 1  
Net Assets

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Current Assets	\$ 260,352	\$ 302,622	(13.97%)
Restricted assets	200	200	( -----%)
Capital assets, net of depreciation	<u>56,208</u>	<u>61,989</u>	<u>( 9.33%)</u>
Total Assets	\$ <u>316,760</u>	\$ <u>364,811</u>	<u>(13.17%)</u>
Current liabilities	\$ 18,627	\$ 31,289	(40.47%)
Current liabilities payable from restricted assets	10,785	11,685	(7.70%)
Noncurrent liabilities	<u>---</u>	<u>---</u>	<u>-----%</u>
Total Liabilities	<u>29,412</u>	<u>42,974</u>	<u>(31.55%)</u>
Invested in capital assets	56,208	61,989	( 9.33%)
Unrestricted net assets	<u>231,140</u>	<u>259,848</u>	<u>(11.04%)</u>
Total Net Assets	\$ <u>287,348</u>	\$ <u>321,837</u>	<u>(10.71%)</u>

Invested in capital assets represent the District's long-term investment in capital assets, net of accumulated depreciation, and is not available for current operations.

A summary of changes in net assets is presented below for the years ended December 31, 2006 and 2005.

Table 2  
Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Operating revenues			
(charges for services, fees and other)	\$ 164,815	\$ 176,227	(6.48%)
Non-operating revenues			
(government subsidies and interest income)	<u>14,434</u>	<u>6,768</u>	<u>113.26%</u>
Total Revenues	<u>179,249</u>	<u>182,995</u>	<u>(2.05%)</u>
Operating expenses			
Depreciation	5,781	5,810	---
Other	<u>207,957</u>	<u>177,981</u>	<u>16.84%</u>
Total Expenses	<u>213,738</u>	<u>183,791</u>	<u>16.29%</u>
Change in net assets	\$ <u>(34,489)</u>	\$ <u>( 796)</u>	<u>(4332.79%)</u>
See Independent Auditor's Report			

**PITKIN GAS UTILITY DISTRICT NO 1**  
**December 31, 2006**

**Management's Discussion and Analysis**

**Capital Assets**

At December 31, 2006 and 2005, the District had \$56,208 and \$ 61,989 respectively, invested in capital assets , including, improvement, equipment, furniture and fixtures at net value after depreciation.

**Current Liabilities Payable from Restricted Assets**

The District's current liabilities payable from restricted assets decreased by \$900 or 7.70%.

**Other Currently Known Facts, Decision, or Conditions**

In management's opinion the cash balance that the District has acquired will be maintained under present operating projections after suffering a significant decrease due to damages and clean up costs from Hurricane Rita.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Pitkin Gas Utility District No. 1 at P.O. Box 334: Pitkin, La

See Independent Auditor's Report

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Leesville, Louisiana 71496-1287

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W. Micheal Elliott, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
PITKIN GAS UTILITY DISTRICT No. 1

I have audited the accompanying basic financial statements of the Pitkin Gas Utility District No. 1, a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Pitkin Gas Utility District No. 1's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pitkin Gas Utility District No.1 as of and for the year ended December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 1 through 5 is not a required part of the basis financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my reported dated June 30, 2007 on my consideration of the Pitkin Gas Utility District No. 1's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

*Elliott & Assoc. "APAC"*  
Leesville, Louisiana  
June 30, 2007

## BASIC FINANCIAL STATEMENTS

## PITKIN GAS UTILITY DISTRICT No. 1

## STATEMENT OF NET ASSETS

December 31, 2006

ASSETS**ASSETS****Current assets**

Cash and cash equivalents (Note 2)	\$ <u>233,486</u>
Receivables	
Service customers (Note 3)	17,470
Miscellaneous receivable	8,168
Accrued interest	<u>1,228</u>

**Total current assets** 260,352

**Restricted assets**

Cash-meter deposits (Note 2)	<u>200</u>
------------------------------	------------

**Total restricted assets** 200

**Noncurrent assets**

Capital assets, net of accumulated depreciation (Note 4)	<u>56,208</u>
	<u>56,208</u>

**Total noncurrent assets**

**TOTAL ASSETS** \$ 316,760

The accompanying notes are an integral part of this statement.

**LIABILITIES****Current liabilities**

Accounts payable	\$ 13,356
Sales taxes payable	66
Salaries payable	3,883
Payroll taxes payable	<u>1,322</u>

<b>Total current liabilities</b>	<u>18,627</u>
----------------------------------	---------------

**Current liabilities payable from  
restricted assets:**

Customer deposits payable	<u>10,785</u>
---------------------------	---------------

<b>Total current liabilities payable from restricted assets</b>	<u>10,785</u>
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<b><u>TOTAL LIABILITIES</u></b>	<u>29,412</u>
---------------------------------	---------------

**NET ASSETS**

Invested in capital assets	56,208
Unrestricted	<u>231,140</u>

<b>TOTAL NET ASSETS</b>	<u>\$ 287,348</u>
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PITKIN GAS UTILITY DISTRICT No. 1  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
For the year ended December 31, 2006

Operating revenues:	
Gas sales	\$ 160,873
Delinquent surcharges	3,322
Installation/connection fees	<u>620</u>
Total operating revenues	<u>164,815</u>
Operating expenses:	
Current:	
Gas purchases	99,192
Salaries	46,757
Professional fees	4,800
Office expense	4,569
Rent	360
Insurance	603
Payroll taxes	4,469
Repairs	44,195
Other	3,012
Depreciation	<u>5,781</u>
Total operating expenses	<u>213,738</u>
Operating income (loss)	<u>(48,923)</u>
Nonoperating revenues (expenses):	
Interest income	6,686
Miscellaneous income	1,697
State DOTD	<u>6,051</u>
Total nonoperating revenues	
(expenses)	<u>14,434</u>
Net decrease in net assets	( 34,489)
Net assets, beginning of the year	<u>321,837</u>
Net assets, ending of the year	<u>\$ 287,348</u>

The accompanying notes are an integral part of this statement.

PITKIN GAS UTILITY DISTRICT NO.1  
Statement of Cash Flows  
For the year ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	182,781
Cash payments to suppliers	
For goods and service	(166,788)
Cash payments to employees for services	<u>(53,981)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(37,988)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous expense	1,697
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	1,697
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
DO TD	6,051
NET CASH FROM CAPITAL FINANCING ACTIVITIES	6,051
CASH FLOWS FROM INVESTING ACTIVITIES	---
Interest received	<u>7,969</u>
Increase in cash	(22,271)
CASH, BEGINNING OF YEAR	<u>255,957</u>
CASH, END OF YEAR	<u>\$233,686</u>
CLASSIFIED AS:	
Unrestricted	\$233,486
Restricted	<u>200</u>
TOTAL CASH	<u>\$233,686</u>

The accompanying notes are an integral part of this statement.

PITKIN GAS UTILITY DISTRICT No. 1  
Statement of Cash Flows  
For the year ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income (loss)	\$ (48,923)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,781
Changes in assets and liabilities:	
Accounts receivable	17,966
Accounts payable	(12,899)
Other receivables	750
Other current liabilities	237
Customer deposits	<u>( 900)</u>
Net cash provided by operating activities	<u>(37,988)</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements

December 31, 2006

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Gas Utility District No. 1 of Vernon Parish "District" is a component unit of Vernon Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing gas service within the boundaries of the district.

A. FUND ACCOUNTING

Gas Utility District No. 1 of Vernon Parish is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest earning demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or United States bonds, treasury bills and notes, or certificates.

D. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The District has adopted a write off policy wherein any account that is deemed uncollectible is written off against the District's allowance for doubtful accounts when the individual account's collection efforts have been deemed unsuccessful.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FIXED ASSETS

The fixed assets of the gas district are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the District as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

F. VACATION AND SICK LEAVE

One full time employee of the District accrues up to seven days of sick leave each year. Upon resignation or retirement, unused sick leave is forfeited.

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 2006, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$233,486</u>	<u>\$ 200</u>	<u>\$233,686</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$233,680 and the bank balances were \$233,331. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$233,331
Uncollateralized (In accordance with GAAP)	
	<u>---</u>
	<u>\$233,331</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 3--ACCOUNTS RECEIVABLE

Receivables at December 31, 2006 consist of the following:

Accounts	\$ 18,854
Less: Allowance for doubtful accounts	<u>(1,384)</u>
Net total receivables	<u>\$ 17,470</u>

Note 4--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

The following is a summary of changes in fixed assets for year ended December 31, 2006:

	<u>Transmission System</u>	<u>Anodes and Equipment</u>	<u>Total</u>
December 31, 2005	\$ 161,149	\$ 64,781	\$ 225,930
Additions	---	---	---
Deletions	<u>---</u>	<u>---</u>	<u>---</u>
December 31, 2006	161,149	64,781	225,930
Less: Accumulated depreciation	<u>(131,147)</u>	<u>(38,575)</u>	<u>(169,722)</u>
Net	<u>\$ 30,002</u>	<u>\$ 26,206</u>	<u>\$ 56,208</u>

The following estimated useful lives are used to compute depreciation:

Improvements other than buildings	45 years
Furniture, fixtures, and equipment	15 years

NOTE 5--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Notes to the Financial Statements (Continued)

NOTE 5-RISK MANAGEMENT (CONTINUED)

The District carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF <u>COVERAGE</u>
Workmen's compensation	\$1,000,000
Auto liability	N/A
Commercial general liability	3,000,000
District-owned buildings and equipment	N/A

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District was not involved in any litigation during the year ended December 31, 2006, nor did it have asserted claims lodged against it.

OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
PITKIN GAS UTILITY DISTRICT No. 1

I have audited the financial statements of the Pitkin Gas Utility District No. 1 as of and for the year ended December 31, 2006, and have issued my report thereon dated June 30, 2007. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pitkin Gas Utility District No. 1 basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

In planning and performing our audit of the financial statements of Pitkin Gas Utility District No. 1 as of and for the year ended December 31, 2006 in accordance with auditing standards generally accepted in the United States of America, I considered Pitkin Gas Utility District No. 1 internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the proceeding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I noted no deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

This report is intended solely for the information and use of management and the Board of Commissioners, state awarding agencies and the Louisiana Legislative Auditor's office of the State of Louisiana and is not intended to be and should not be used by anyone other than there specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by Legislative Auditor as a public document.

*Elliott & ASSC. "APAC"*

Leesville, Louisiana

June 30, 2007

PITKIN GAS UTILITY DISTRICT NO. 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED December 31, 2006

SECTION 1- SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ yes ☒ no

Reportable conditions identified  
that are not considered to be  
material weaknesses? ☐ yes ☒ no

Noncompliance material to financial  
statements noted? ☐ yes ☒ no

Management's Summary Schedule of Prior  
Audit Findings Not applicable

Memorandum of Other Comments  
and Recommendations Not applicable

Management's Corrective Action Plan Not applicable

Federal Awards Not Applicable

SECTION II - FINANCIAL STATEMENT FINDINGS

Not applicable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable

PITKIN GAS UTILITY DISTRICT No. 1  
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED December 31, 2006

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS

There were no prior year findings relating to internal control and compliance material to the financial statements.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 2006

The Board of Commissioners of the Gas Utility District No. 1 of Vernon Parish served without compensation for the year ended December 31, 2006.